Landkreditt Boligkreditt AS

Obligasjoner med fortrinnsret

Covered bond rating
AAA

Outlook
Stable

Rating action
Affirmation

Last rating action
28 Oct 2024

Issuer rating
A-

Outlook
Stable

Last rating action
05 Mar 2024

The AAA rating with a Stable Outlook assigned to the mortgage covered bonds (Obligasjoner med fortrinnsrett) issued by Landkreditt Boligkreditt AS (LKBol) are based on the mortgage credit institutions issuer rating of A-/Stable, enhanced by cover pool support-based uplift. Together with the programmes' governance support, it provides six notches of uplift above the issuer rating. We classified the interplay between complexity and transparency with a cover pool complexity (CPC) category of low, allowing the maximum additional uplift from cover pool support of three notches on top of the governance support uplift. The programme benefits from a two-notch buffer against an issuer downgrade.

The covered bond programme

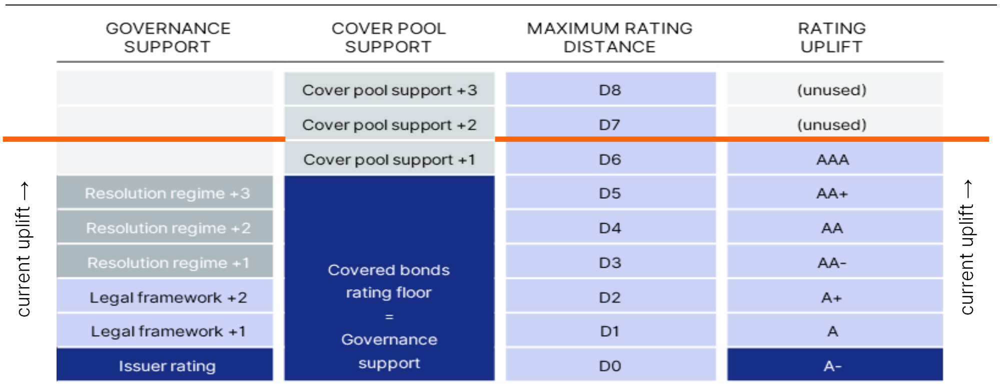
Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook
30 Sep 2024	NOK 3.67bn	Mortgage	NOK 3.06bn	AAA/Stable

Governance support factors, in total, provide a rating uplift of five notches and, effectively, a floor against a deterioration in cover pool credit quality. This reflects our assessment of the strong governance support provided by the legal covered bond and resolution framework in Norway.

The bonds are covered by a portfolio of fully domestic granular first-lien low-risk Norwegian residential mortgage loans which are mainly located in Oslo and Akershus plus negligible amount of substitute assets.

There is no interest rate or foreign exchange risks, since both assets and bonds are floating, and the programme is fully denominated in NOK. Maturity mismatches are the main drivers of the OC needed.

Figure 1: Covered bond rating building blocks



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Last Press Release CB, Oct 2024

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Stable Outlook

Scope's stable Outlook on the mortgage covered bonds reflects the stable Outlook on the issuer, and the expectation that there are no material changes to either governance or cover pool support factors. Together they allow for a cushion against a downgrade of up to two notches. The rating may be downgraded upon: i) an issuer rating downgrade by more than two notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and Norway covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

Changes since the last performance update

As of 5 Mar 2024, the outlook/rating of the LKBol's was affirmed to A-/Stable. This reflects the parent's ongoing resilience of the bank's business and operating performance.

Since our last analysis one year ago the cover pool has decreased to NOK 3.67bn (-20.3%) and the Scope-calculated loan-to-value (LTV) ratio has dropped by 0.4pp to 39.7%. The stressed recovery rate has decreased by 5.6 pp, driven by higher market value declines; the lifetime mean-default rate remains stable.

Rating drivers and mitigants

Positive rating drivers	Negative rating drivers and mitigants
• Strong legal covered bond framework • Strong resolution regime and systemic importance of covered bonds in Norway • Cover pool complexity categorization allowing for the highest cover pool support • Strong cover pool support allowing for maximum uplift	• Mid to low systemic importance currently constrains governance support uplift

Upside rating-change drivers	Downside rating-change drivers
• The ratings are on the highest level achievable • Additional issuer downgrade protection if we were able to assign a higher systemic importance to the issuer and its covered bonds • Additional issuer downgrade cushion could further arise from a rating upgrade of the issuer	• The rating may be downgraded upon an issuer downgrade by more than two notches. • Reduction of the provided overcollateralisation below the level of rating supporting OC which currently is at 5.0% • The rating may also be downgraded upon a deterioration governance support factors and the interplay between complexity and transparency by together more than two notches

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The issuer

The A- issuer rating of Landkreditt Boligkreditt, a wholly owned subsidiary, is aligned with its parent Landkreditt Bank. Landkreditt Bank's A- issuer rating reflects the credit fundamentals of the cooperative group, Landkreditt SA, a leading provider of financial services to Norway's agricultural sector, with a market share of 20%. Management continues to pursue a growth strategy in the agricultural sector as well as with personal customers to achieve greater scale and to diversify the business. Ongoing efforts to develop the group's insurance, asset management and real estate brokerage businesses enables the group to meet the broad financial needs of its customers. Through the issuance of covered bonds, Landkreditt Boligkreditt provides secured funding for its parent. Landkreditt maintains reassuring solvency metrics and is well positioned against current and future expected requirements. For further details on our bank credit analysis see the full bank rating report available on scoperatings.com.

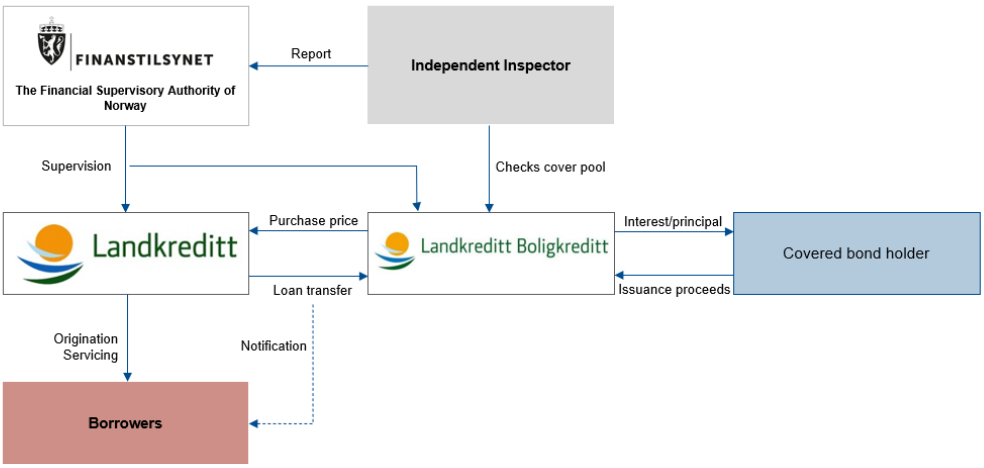
Programme structure

Specialised mortgage bank issuing covered bonds

The Norwegian legal covered bond framework is mainly based on the relevant section on covered bonds in the country's Financial Institutions Act (Lov om finansforetak og finanskonsern) and related regulation on mortgage credit institutions, both introduced in 2007. The act was last amended to transpose the European Covered Bond Directive. Such amendments came into force 8 July 2022 in parallel with the application date in the EU. The act itself provides the general structure of the main framework and references to regulations provided by the ministry of finance (Finanstilsynet). As such the Norwegian regulation on capital requirements and national adaptation of CRR/CRD IV provides further details on the requirements for Norwegian covered bonds and issuers.

Under this framework, issuance is permitted through specialist covered bond issuers. Like LKBol, most issuers of covered bonds (generally called Boligkreditt, or specialised residential mortgage institutions) are subsidiaries that rely on loans originated by their respective parent banks. The parent banks generally also provide most of the services for these subsidiaries, allowing the latter to keep staff numbers low.

Figure 2: Issuance structure



Source: Scope ratings GmbH

Governance credit support analysis

Governance credit support is a key rating driver for LKBol's mortgage covered bonds. It provides an uplift of five notches. This uplift is based on our credit-positive view on i) the legal framework for mortgage covered bonds in Norway; ii) Norway's resolution regime; and iii) the systemic relevance of covered bonds in Norway, including those of LKBol.

Five notches from legal framework and resolution regime

Legal framework and structural support analysis

The Norway's covered bond framework is very strong, meeting our criteria for protecting investors and resulting in the highest credit differentiation of two notches.

The relevant legal framework is based on the relevant section in the country's Financial Institutions Act (Lov om finansforetak og finanskonsern) and related regulation on mortgage companies (I forskrift 9. desember 2016 nr. 1502 om finansforetak og finanskonsern (finansforetaksforskriften)). Both were introduced in 2007. The Act was amended to transpose the European CBD and came into force 8 July 2022, in parallel with the application date in the EU. The Act provides the general structure of the main framework and references to regulations provided by the Ministry of Finance (Finanstilsynet). The Norwegian regulation on capital requirements and national adaptation of CRR/CRD IV provides further details on the requirements for Norwegian covered bonds and issuers.

Two notches reflecting strong legal framework

Segregation of cover pool upon insolvency

The Norwegian legislation gives covered bondholders preferential claims over the cover pool if the issuer is placed under public administration. The term "covered bonds", (in Norwegian "obligasjoner med fortrinnsrett" or "OMF") is protected by law. The assets in the pool remain with the estate if the issuer is placed under public administration but bondholders and derivatives counterparties have exclusive, equal and proportionate preferential claims over the cover pool, and the administrator is committed to assuring timely payments, provided the pool provides full cover to claims. The issuer maintains a register of issued covered bonds and of the cover assets assigned to them, including derivatives agreements.

Ability to continue payments after issuer insolvency

Under the Norwegian legislation, owners of covered bonds and derivatives counterparties have a direct claim to timely payments with funds covered by preferential rights. Only if timely payment is not possible i.e. after maturity extension is triggered and no distressed liquidity situation emerges, can payments on the covered bonds be suspended. Covered bonds will not, however, be subject to automatic acceleration in the event of special administration or liquidation under public administration of the credit institution.

The administrator's is to ensure proper management of the cover pool and that holders of covered bonds and derivatives counterparties receive agreed and timely payments. Assets can be sold, and new covered bonds can be issued. The administrator can also enter new derivatives contracts or change existing contracts. The entire collateral can only be sold if this provides full coverage of all senior costs as well as the costs incurred by covered bond investors (including any deferred or accrued interest and costs).

Asset eligibility and risk management principles

The credit institution shall ensure that payment flows from the cover pool enable the institution to honour its payment obligations towards holders of covered bonds and derivatives counterparties. It shall establish a liquidity reserve to be included in the cover pool as substitute assets in addition to carrying out stress tests periodically to ensure satisfactory liquidity management.

The Act specifies valuation requirements for the mortgage portfolio. The value of the property securing the mortgage claim shall be "reasonable" and not higher than its market value. The valuation must be carried out according to recognised principles by a competent and independent person but can be based on statistical models. It must be monitored and renewed as necessary.

Programme enhancements remain available

The public administrator must ensure proper management of assets securing covered bonds and that the provisions on composition of collateral, liquidity, currency and interest rate risk are continuously complied with.

According to the law, the value of the assets must at all times cover the value of the covered bonds. Any excess collateralisation, yielding more than is necessary to cover bondholders' or derivatives counterparties' claims, may constitute a general bankruptcy claim. While this may limit the preferential position of covered bond investors, it is up to the special administrator to judge if available over-collateralisation (OC) is excessive. We do not expect that any special administrator would release assets as long as it has to ensure timely and full payment of covered bonds according to the law.

The law further specifies a concentration limit of 5% for individual exposures.

The regulation specifies minimum over-collateralisation levels that are dependent on the collateral type. Norwegian mortgage covered bonds benefit from nominal overcollateralisation that has increased to 5% (from 2% earlier). Domestic public-sector covered bond programmes are only required to maintain 2% minimum OC. Export Credit Agencies or internationally backed public-sector covered bond programmes must provide 10% minimum OC.

The cover pool's interest yield must always be higher than the sum of the costs associated with covered bond funding including derivatives.

The collateral requirements allow for loans secured by housing association shares, mortgage loans, or loans secured by pledges in other real property assets. Mortgage collateral must be located within European Economic Area (EEA). Additionally, assets can consist of assets guaranteed by a state or public body, claims against credit institutions or receivables from derivatives agreements.

According to the regulation, the collateral pool securing a European Covered Bond (Premium) can only consist of claims that meet the requirements of article 129 of the Capital Requirements Regulation. This restricts funding coverage for mortgage covered bonds to the asset’s loan-to-value threshold of 80% (from 75% earlier) for residential mortgages and 60% for commercial mortgages. The regulation further specifies that mortgages on holiday properties qualify only up to a loan-to-value of 60%. The amount of substitute assets is restricted according to their credit quality step category

Covered bond oversight

Norwegian issuers are subject to a supervisory regime involving both an independent monitor (cover pool monitor) and the Norway’s national supervisor, Finanstilsynet – the Financial Supervisory Authority (FSA).

The FSA must approve new covered bond issuance programmes and can reject issuance in case of solvency doubts. The cover-pool monitor must be a State-authorised auditor and be different from the firm auditing the parent or the covered bond issuer.

At least quarterly, the monitor checks that the requirements for collateral, OC, liquidity, registration and investor information are met and reports at least annually to the FSA. If the monitor has reason to believe that the requirements have not been met, it must notify the FSA as soon as possible.

Resolution regime and systemic importance analysis

Three notches reflecting Resolution regime and systemic importance of the issuer

LKBol's mortgage covered bonds benefit from an additional three-notch uplift that reflects i) the covered bonds' exemption from bail-in; ii) the high likelihood that the covered bonds remain with a resolved and restructured issuer and that the programme remains actively managed as going concern funding instrument; iii) the high systemic importance of covered bonds in Norway, but the low visibility and importance of LKBol as a covered bond issuer, and iv) the strong and proactive stakeholder community.

Availability of statutory provisions

Norway is in the EAA but is not part of the EU. Relevant EU rules are normally incorporated into the EEA Agreement before being enacted into Norwegian law. This includes the Bank Recovery and Resolution Directive (BRRD) as well as the European Covered Bonds Directive. The main legal act applicable to Norwegian banks is the Act on Financial Undertakings and Financial Groups (Financial Undertakings Act). This Act consolidates the main financial regulations and implements the Capital Requirements Regulation, Capital Requirements Directive and the BRRD.

Strength of statutory provisions

Statutory provisions do provide Norwegian regulators with a toolkit allowing to preserve LKBol as a going concern in the case of a hypothetical failure of its parent. In addition, the national transposition of Article 55 of the BRRD into section 11-6 of the Financial Institutions Act exempts secured liabilities such as covered bonds from bail-in.

Systemic importance of issuer

The current capital structure would allow regulators to restructure LKB, including its mortgage subsidiary LKBol, using available resolution tools should the need arise. However, LKBol's covered bond issuing activities and market share only result in a low to moderate systemic importance. The most likely scenario is a transfer or take-over of LKBol by another bank. As a result, investors might not benefit from the issuer being maintained as a going concern. However, LKBol's low to moderate systemic importance also reflects the fact that most of the 22 Norwegian covered bond issuers are similarly subsidiaries of small to midsize banks. Even a failure of a covered bond issuer with the size and setup of LKBol could thus result in contagion, effectively creating systemic problems for other issuers reliant on this refinancing channel for their core product, residential mortgage lending.

Systemic relevance of covered bonds

We classify Norwegian residential mortgage covered bonds as a systemic important refinancing product. In Norway, 22 specialised covered bond issuers are active, issuing residential, commercial and public sector-backed covered bonds. Since 2007, covered bonds outstanding have soared to EUR 133bn or NOK 1.57trn at the end of 2023. Outstanding covered bonds to GDP account for 30% at the end of 2023 with and annual issuance regularly hovers around EUR 25bn-30bn. Covered bonds have repeatedly provided Norwegian banks with funding stability when capital markets-based wholesale funding has been challenging. Ongoing access to investors as well as ability to use covered bonds as collateral with the central bank prompted peak issuance volumes shortly after the Global Financial Crisis in 2008 (EUR 26bn) as well as during the pandemic crisis (EUR 32.8bn). Globally, Norway was the fifth largest issuing country in 2023, and it ranks 10th by total outstanding covered bonds.

Proactive stakeholder community

Norwegian stakeholders have demonstrated regularly that they are strongly interested in a functioning covered bond market and are willing to support an orderly resolution of problems in case of a distressed issuer. The country's covered bond issuers actively co-operate under the umbrella of the Norwegian Covered Bond Council to promote the product and initiate any changes to the framework.

Cover pool analysis

LKBol's mortgage covered bond ratings are cover pool-supported, providing one notch of uplift needed to achieve the highest rating. Governance support provides for a five-notch rating uplift and an effective floor against a deterioration in cover pool credit quality.

Our assessment on the interplay between complexity and transparency translates into a CPC category of 'Low'. The assessment on the interplay between complexity and transparency allows for up to three additional notches above the issuer rating enhanced by governance support. Consequently, the combined credit support could allow to maintain the covered bond rating at the highest level under a hypothetical issuer downgrade by up to two notches, assuming OC does not become a constraining factor.

CPC assessment

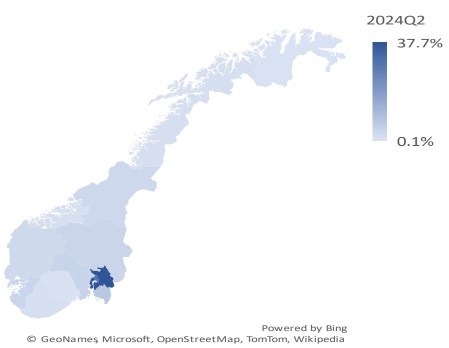
The CPC category of 'low'-risk stems from the availability of detailed, regular, current and forward-looking transparency and reporting on key credit and market risk factors relevant to the analysis. We took into account information on the issuer's lending products; underwriting, credit and market risk management; and high transparency on its origination and issuance strategy. We had full access to all relevant counterparty risk information.

Cover pool composition

LKBol's mortgage covered bonds are secured by a portfolio of granular, first-lien Norwegian residential mortgage loans denominated in Norwegian krone. As of September 2024, the 2,404 loans were granted (down from 2,936). The average loan size remains the same at NOK 1.6m. The top 10 largest obligors account for 3.0% (up from 2.4%).

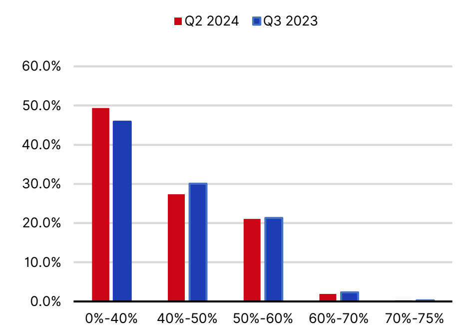
The Scope-calculated weighted average whole LTV is 39.7% (down from 40.1%), calculated based on the maximum drawable amount for re-drawable loans (flexible loans). Such loans make up 25% of the cover pool. Flexible loans have an embedded credit line that can be redrawn without new credit approval. These loans will only be granted if the loan's LTV does not exceed 60%. Existing flexible loans may only be drawn up to 60%. Another 18.5% of the loans have an interest-only period.

Figure 3: Geography distribution



Source: Scope Ratings, LKBol

Figure 4: LTV distribution



Source: Scope Ratings, LKBol

The collaterals are primarily located in the Oslo and Akershus regions, together accounting for around 67.1%. The rest of the portfolio is spread across Norway, supported by LKB's online distribution channel. Norway's oil regions (Rogaland and Agder) are less represented. Around two-thirds of the portfolio is made up of single-family houses and another quarter of flats or apartments. Holiday homes account for only 0.1% and agricultural property for another 0.3%.

Cover pool characteristics

Reporting date	Sep 2024	Sep 2023
Balance (NOK bn)	3.6	4.6
Residential (%)	94.3	100.0
Substitute (%)	5.7	0.0

Property type (%)

Reporting date	Sep 2024	Sep 2023
Single/double-family house	68.5	68.8
Apartment	23.6	23.9
Others	7.9	7.4

General information

Reporting date	Sep 2024	Sep 2023
No. of loans*	2,404	2,936
No. of obligors*	2,364	2,903
Avg. size (NOK tsd)	1.6	1.6
Top 10 (%)	3.0	2.4
Remaining life (years)*	15.6	15.7
LTV (%) *	39.7	40.1

*Scope calculated

Interest rate type (%)

Reporting date	Sep 2024	Sep 2023
Floating	100.0	100.0
Fixed	0.0	0.0

Repayment type (%)

Reporting date	Sep 2024	Sep 2023
Annuity / Linear	56.3	59.8
Flexible loan	25.2	23.5
Interest-only	18.5	16.7

Asset risk analysis

Strong credit quality translates into low credit risk

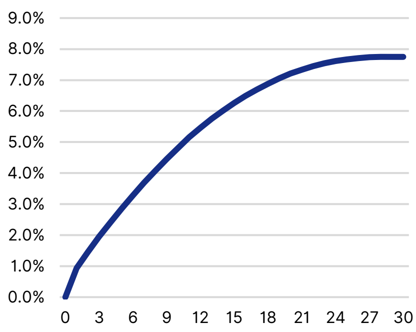
The cover pool's credit quality remains strong comprising Norwegian, residential mortgage loans with low LTVs.

Our projection of default is applicable to an inverse Gaussian distribution. Our analysis is based on the available credit performance data provided.

Our assessment results into a mean term default rate of 7.7% which is the same one year ago. The coefficient of variation is 50.0%.

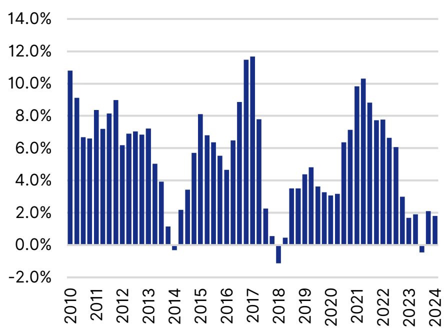
We assume an annual average default probability of 102bps, which provides a comfortable cushion against actual defaults observed in the previous benign economic situation. This assumption has been established by taking into account the issuer's risk scoring and our PD mapping benchmarked to that of other Norwegian residential mortgage lenders. The average borrower PD is commensurate with a bb+ rating.

Figure 5: Expected term defaults, cumulative (DP/years)



Source: Scope Ratings

Figure 6: Annual house price growth in Norway



Source: OECD, Scope Ratings

Stressed recovery rates decreased to 91.2%, down from 96.8% assessed 12-month ago. This mainly reflects the changes in MVD assumption and fixed cost assumption. Our base recovery expectation remains very strong at 99.7%.

Our stressed market value decline assumptions increased to 41.3-54.7% from 40-47.5% as of last analysis. This is driven by revised market value decline assumption for Norway.

We kept our fire-sale discounts for Norway unchanged at 20%. The fire-sale discount is applied to properties sold under non-standard market or distressed conditions. In our recovery analysis we do further size for sale costs of 10% (by stressed property value).

Norway's security value haircuts

Region	Base MVD	Stressed MVD	Firesale discount	Sale costs	Stressed SVH
Oslo	5%	54.70%	20%	10%	67.4%
South Western	5%	41.30%	20%	10%	57.7%
Rest of Norway	5%	48.40%	20%	10%	62.8%

MVD: market value decline / SVH: security value haircut

We assumed a recovery lag of 24 months reflecting Norway's lean and digital sale procedures as well as the more regional asset exposure.

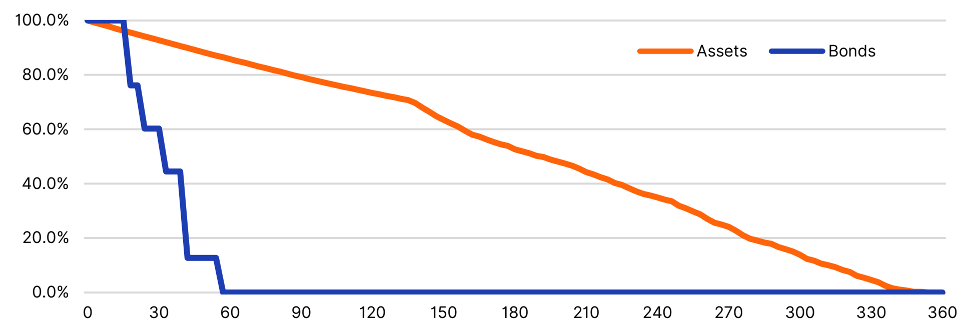
Cash flow risk analysis

Supporting overcollateralisation of 5.0%

The rating-supporting OC of 5.0% is floored at the legal minimum but also reflects the mortgage programme's sensitivity to a combination of the programme's asset-liability maturity mismatch risk. This is mainly driven by the slow scheduled amortisation of the cover assets against the faster redemption of the covered bonds.

The amortisation schedule for both, assets and liabilities were established by the line-by-line data provided by the issuer. As of Q3 2024, the weighted average life of the outstanding covered bonds is 3.0 years when accounting for their soft-bullet structure, down from 3.5 years in the previous analysis. In comparison, the (scheduled) weighted average life of the cover pool is 15.6 years assuming a 30-year tenor on flexible loans.

Figure 7: Amortisation profile



Source: Scope Ratings, LKBol

Asset-liability mismatches

	Assets	Liabilities
NOK (%)	100.0	100.0
Fixed (%)	0.0	0.0
Floating (%)	100.0	100.0
WAL (years)	15.6	3.0*

*incl. extension

In the event of recourse to the cover pool, we assume assets will be sold at a discount of up to 150bps if the cash accumulated from cover pool amortisation is insufficient to pay timely interest and principal on the covered bonds. We have disregarded the substitute assets from our asset risk analysis because of their volatile level of support. Therefore, we consider only the credit risk (and cash flows) of the primary collateral – the mortgage loans.

Other market risks are limited as cover assets and covered bonds are both floating rates. Also, there is no foreign exchange risk as assets and liabilities are denominated in Norwegian krone. At this stage, we do not expect foreign currency-denominated issuances.

We conservatively established the asset's amortisation profile assuming that all flexible lines were fully drawn. The bond's amortisation profile was calculated assuming the one-year maturity extensions was executed

We have tested the programmes resilience against high (15%) and low (1%) prepayments as well as a set of rising and declining interest rate scenarios. The covered bonds are most exposed towards a low prepayment scenario in combination with low interest rates. As a consequence, we assume asset sales under discounts in order to meet the bonds payment obligations.

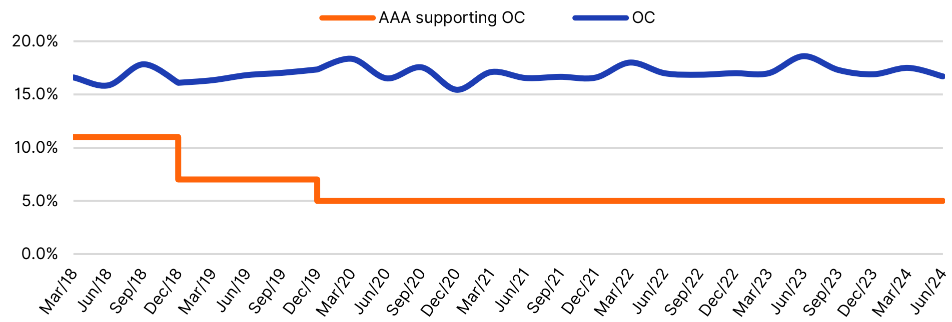
We complemented our base case cash flow results with additional analysis, testing sensitivities to a margin compression, frontloaded defaults, 0% prepayments, a liquidity premium up to 200bps, time subordination and issuer potential downgrade. None of such calculation resulted into an adjustment of our rating supporting overcollateralisation.

Availability of overcollateralisation

Overcollateralisation fully taken into account

The current rating of LKBol allows us to account for the provided OC of 19.7% as of September 30, 2024, which is above the unchanged 5% level of overcollateralisation supporting the programmes' AAA rating. We are not aware of plans that would significantly change the risk profile or reduce available OC to levels that would no longer support the current rating uplift.

Figure 8: Available OC versus current rating-supporting level



Source: Scope Ratings, LKBol

Other risk considerations

Counterparty exposure does not limit the rating

The rated covered bonds have counterparty exposures to the issuer, as well as to the issuer's parent in its roles as loan originator, servicer, bank account provider and paying agent. However, if a regulator were to intervene, we believe the strong alignment of interests between the bank and the covered bond holders would prevent any negative impact. We also view positively the fact that collections are generally made via direct debit, allowing for a relatively swift redirection of payments if necessary.

Country risk is not a key rating driver

Country risk is not a key risk factor that constrains the covered bond rating. Norway is currently rated AAA/Stable. We have no evidence that transfer risk (e.g. risk of capital controls), convertibility risk (e.g. risk of eurozone exit), the risk of an institutional meltdown are pertinent risk factors for Norway.

No impact from ESG

Governance factors are key for the analysis of Norway covered bonds as such drive our legal and resolution regime analysis. In our quantitative analysis performed for the covered bonds issued by LKBol we however have not directly included ESG aspects.

The issuer has introduced a 'Green Mortgage' product that offers favourable interest rates for the purchase of energy-efficient homes. These loans have a limited share in the cover pool.

Environmental aspects, particularly Norwegian energy efficiency standards, are often not recorded in the bank's main underwriting databases – which is typical among banks. We were therefore unable to perform a specific analysis of environmental or social factors, or their impact on the cover assets' probability of default or recovery proceeds. At the same time, we have indirectly included environmental aspects because collateral valuations reflect the condition of the collateral.

Sensitivity analysis

Two notches buffer against an issuer downgrade

LKBol's mortgage covered bond ratings do benefit from a buffer against an issuer downgrade of up to two notches. Assuming the issuer's willingness to support the highest ratings as well as a stable covered bond programme risk profile, a one notch downgrade would increase the rating supporting OC to 7.0%; to maintain the current rating upon a two-notch downgrade the supporting OC would increase to 8.0%.

As a consequence, the rating may be downgraded upon: i) an issuer rating downgrade by more than two notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and Norwegian covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

Summary of covered bond characteristics

Reporting date	30-Sep-24	30-Sep-23
Issuer name	Landkreditt Boligkreditt	
Country	Norway	
Covered bond name	Obligasjoner med fortrinnsrett (Norwegian mortgage-covered bonds)	
Covered bond legal framework	Norwegian legal covered bond framework	
Cover pool type	Residential mortgage loans	
Composition	Residential = 94.3% Substitute = 5.7%	Residential = 100.0% Substitute = 0.0%
Issuer rating	A-/Stable	A-/Stable
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Soft bullet	Soft bullet
Cover pool currencies	NOK (100%)	NOK (100%)
Covered bond currencies	NOK (100%)	NOK (100%)
Governance cover pool support	5	5
Maximum additional uplift from cover pool complexity category	3	3
Maximum achievable covered bond uplift	8	8
Potential covered bond rating buffer	2	2
Cover pool (NOKbn)	3.67	4.6
thereof, substitute assets (NOKmn)	209.4	0
Covered bonds (NOKbn)	3.06	3.9
Overcollateralisation: current/legal minimum	5.0% / 5.0%	5.0% / 5.0%
Overcollateralisation to support current rating	5% (Minimum legal OC)	5% (Minimum legal OC)
Overcollateralisation upon a one-notch issuer downgrade	7.0%	7.0%
Weighted average life of assets (Scope calculated)	15.6years	15.7years
Weighted average life of liabilities (extended)	3.0 years	3.5 years
Number of loans (Scope calculated)	2,404	2,936
Average loan size (NOK m)	1.6	1.6
Top 10	3.0%	2.4%
Interest rate type assets	Floating 100% Fixed 0%	Floating 100% Fixed 0%
Interest rate type liabilities	Floating 100% Fixed 0%	Floating 100% Fixed 0%
Weighted average loan to lending value (Scope calculated)	39.7%	40.1%
Geographic split	Norway = 100.0%	Norway = 100.0%
Default measure (mortgage/substitute)	Inverse Gaussian	Inverse Gaussian
Weighted average annualised default rate (residential)	102bps	83bps
Weighted average coefficient of variation (residential)	50%	50%
Weighted average recovery assumption (D0; D6) (residential)[1]	99.7%;93.3%	99.9%; 97.6%
Share of loans > three months in arrears (NPL)	0.00%	0.00%
Interest rate stresses (max/min)	9% / -1%	10% / -1%
FX stresses (max/min; currency-dependent)	n/a	n/a
Max liquidity premium	150bps	150bps
Average servicing fee	25bps	25bps

Source: Scope Ratings

[1] D0 and D6 denote the stresses commensurate with the rating distance between our credit view on the issuer and the covered bond ratings.

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